

AMENDMENT NO. _____

Signature of Sponsor

FILED

Date _____

Time _____

Clerk _____

Comm. Amdt. _____

AMEND Senate Bill No. 0891

House Bill No. 0695

by deleting Section 9 in its entirety and replacing it with the following language:

SECTION 9. Tennessee Code Annotated, Title 65, Chapter 5, Part 2, is amended by adding the following new language as:

65-5-208. Rate Regulation for Telecommunications Services. -- (a) The rates of Telecommunications Service Providers should be regulated to the extent necessary as a substitute for competition; and to the extent competitive forces in the market for Telecommunications Services are adequate and effective, regulation should be relaxed. To implement those principles, the Commission, on its own initiative, or on the petition of one or more Telecommunications Service Providers, after notice and hearing in accordance with contested case procedures, shall exempt from the requirements of this Part a Telecommunications Service for which competition is an effective regulator of rates for that service; and may partially exempt, or adjust the regulation of, a Telecommunications Service or group of Telecommunications Services in accordance with those principles.

(b) Effective January 1, 1996, an Incumbent Local Exchange Telephone Company shall adhere to minimum rates for its competitive services, subject to the requirements for universal service provided in Section 65-5-207. Such minimum rates shall equal the Incumbent Local Exchange Telephone Company's tariffed rates for essential elements utilized by Competing Telecommunications Service Providers plus the total long-run incremental cost of the competitive elements of the service. On the petition

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of any Telecommunications Service Provider, the Commission may exempt a Telecommunications Service or group of Telecommunications Services provided by an Incumbent Local Exchange Telephone Company from the requirements for minimum rates, or modify such requirements, on finding that such requirements are no longer necessary for protection against competitive abuse.

(c) On the basis of preserving the effectiveness of competition as a regulator of rates, the Commission shall adopt rules, entertain complaints and issue show cause orders, to prohibit cost-subsidization, preferences to competitive services or affiliated entities, predatory pricing, price squeezing, price discrimination, tying arrangements or other anti-competitive practices.

(d) Any Incumbent Local Exchange Telephone Company, not subject to a rate flexibility plan as provided in Section 65-5-209, shall remain subject to rate base/rate of return regulation, as the Commission from time to time may modify the requirements of that form of regulation consistent with the principles set forth in Subsection (a) above.